

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

*Village of Edwardsburg*  
*Cass County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended March 31, 2005*

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## INDEPENDENT AUDITORS' REPORT

Village Council  
Village of Edwardsburg, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Edwardsburg, Michigan, as of March 31, 2005, and for the year then ended, which collectively comprise the Village of Edwardsburg, Michigan's financial statements, as listed in the contents. These financial statements are the responsibility of the Village of Edwardsburg, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Village of Edwardsburg, Michigan, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 12, the Village of Edwardsburg, Michigan has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of April 1, 2004.

The budgetary comparison schedules are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Village Council  
Village of Edwardsburg, Michigan  
Page 2

The Village of Edwardsburg, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

*Sigfried Crandall P.C.*

July 29, 2005

## **BASIC FINANCIAL STATEMENTS**

**Village of Edwardsburg**  
**STATEMENT OF NET ASSETS**  
*March 31, 2005*

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 315,151	\$ 169,215	\$ 484,366
Receivables, net	45,623	13,210	58,833
Prepaid expenses	3,706	-	3,706
Inventory	-	22,434	22,434
Total current assets	364,480	204,859	569,339
Noncurrent assets:			
Capital assets, net of accumulated depreciation	273,872	670,266	944,138
Total assets	638,352	875,125	1,513,477
<b>LIABILITIES</b>			
Current liabilities:			
Payables	14,173	3,923	18,096
Noncurrent liabilities:			
Long-term obligations	21,871	-	21,871
Total liabilities	36,044	3,923	39,967
<b>NET ASSETS</b>			
Invested in capital assets	273,872	670,266	944,138
Restricted for:			
Cemetery	58,703	-	58,703
Public works	216,567	-	216,567
Unrestricted	53,166	200,936	254,102
Total net assets	\$ 602,308	\$ 871,202	\$ 1,473,510

See notes to the financial statements

**Village of Edwardsburg**  
**STATEMENT OF ACTIVITIES**  
Year ended March 31, 2005

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>	
		<u>Charges for services</u>	<u>Operating grants and contributions</u>
Governmental activities:			
Legislative	\$ 4,720	\$ -	\$ -
General government	153,214	7,394	-
Public safety	82,263	15,683	-
Public works	114,958	45,319	76,339
Community and economic development	2,619	760	-
Culture and recreation	6,409	-	-
Total governmental activities	364,183	69,156	76,339
Business-type activities:			
Water	175,830	174,083	-
Total	<u>\$ 540,013</u>	<u>\$ 243,239</u>	<u>\$ 76,339</u>

General revenues  
Property taxes  
State grants  
Investment income  
Other

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending



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**Net (expenses) revenues and changes in net assets**

<b><u>Governmental activities</u></b>	<b><u>Business-type activities</u></b>	<b><u>Totals</u></b>
\$ (4,720)		\$ (4,720)
(145,820)		(145,820)
(66,580)		(66,580)
6,700		6,700
(1,859)		(1,859)
<u>(6,409)</u>		<u>(6,409)</u>
(218,688)		(218,688)
<u>-</u>	\$ <u>(1,747)</u>	<u>(1,747)</u>
<u>(218,688)</u>	<u>(1,747)</u>	<u>(220,435)</u>
77,648	-	77,648
124,391	-	124,391
2,308	1,983	4,291
<u>8,031</u>	<u>-</u>	<u>8,031</u>
<u>212,378</u>	<u>1,983</u>	<u>214,361</u>
(6,310)	236	(6,074)
<u>608,618</u>	<u>870,966</u>	<u>1,479,584</u>
<u>\$ 602,308</u>	<u>\$ 871,202</u>	<u>\$ 1,473,510</u>

See notes to the financial statements

**Village of Edwardsburg**  
**BALANCE SHEET - governmental funds**  
March 31, 2005

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Cemetery</u>	<u>Total governmental funds</u>
<b>ASSETS</b>					
Cash	\$ 14,766	\$ 115,252	\$ 83,833	\$ 58,703	\$ 272,554
Receivables, net	31,820	10,227	3,576	-	45,623
Due from other funds	-	-	5,420	-	5,420
Prepaid expenses	3,706	-	-	-	3,706
Total assets	<u>\$ 50,292</u>	<u>\$ 125,479</u>	<u>\$ 92,829</u>	<u>\$ 58,703</u>	<u>\$ 327,303</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Payables	\$ 11,618	\$ 1,202	\$ 539	\$ -	\$ 13,359
Due to other funds	5,420	-	-	-	5,420
Deferred revenue	9,948	-	-	-	9,948
Total liabilities	<u>26,986</u>	<u>1,202</u>	<u>539</u>	<u>-</u>	<u>28,727</u>
Fund balances:					
Reserved for:					
Cemetery	-	-	-	58,703	58,703
Public works	-	124,277	92,290	-	216,567
Unreserved	23,306	-	-	-	23,306
Total fund balances	<u>23,306</u>	<u>124,277</u>	<u>92,290</u>	<u>58,703</u>	<u>298,576</u>
Total liabilities and fund balances	<u>\$ 50,292</u>	<u>\$ 125,479</u>	<u>\$ 92,829</u>	<u>\$ 58,703</u>	<u>\$ 327,303</u>

Amounts reported for *governmental activities* in the statement of net assets are different as follows:

Total fund balances	\$ 298,576
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Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.	192,940
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An internal service fund is used by management to charge costs of fleet management to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	122,715
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Accrual of compensated absences.	(21,871)
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Certain assets are not available financial resources in the current period and, therefore, are reported as deferred revenue in the funds.	9,948
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Net assets of <i>governmental activities</i> (page 5)	<u>\$ 602,308</u>
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See notes to the financial statements

**Village of Edwardsburg**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - governmental funds**  
Year ended March 31, 2005

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Cemetery</u>	<u>Total governmental funds</u>
<b>REVENUES</b>					
Taxes	\$ 84,661	\$ -	\$ -	\$ -	\$ 84,661
State grants	124,391	56,569	19,770	-	200,730
Licenses and permits	23,714	-	-	-	23,714
Charges for services	43,079	-	-	7,394	50,473
Interest and rentals	5,773	1,556	537	476	8,342
Total revenues	<u>281,618</u>	<u>58,125</u>	<u>20,307</u>	<u>7,870</u>	<u>367,920</u>
<b>EXPENDITURES</b>					
Legislative	4,720	-	-	-	4,720
General government	129,654	-	-	35,218	164,872
Public safety	82,263	-	-	-	82,263
Public works	54,816	39,702	30,327	-	124,845
Community and economic development	2,619	-	-	-	2,619
Recreation and culture	6,409	-	-	-	6,409
Capital outlay	1,896	-	-	-	1,896
Total expenditures	<u>282,377</u>	<u>39,702</u>	<u>30,327</u>	<u>35,218</u>	<u>387,624</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(759)</u>	<u>18,423</u>	<u>(10,020)</u>	<u>(27,348)</u>	<u>(19,704)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	7,600	7,600
Transfers out	(7,600)	-	-	-	(7,600)
Total other financing sources	<u>(7,600)</u>	<u>-</u>	<u>-</u>	<u>7,600</u>	<u>-</u>
Net change in fund balances	(8,359)	18,423	(10,020)	(19,748)	(19,704)
<b>FUND BALANCES - BEGINNING</b>	<u>31,665</u>	<u>105,854</u>	<u>102,310</u>	<u>78,451</u>	<u>318,280</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 23,306</u>	<u>\$ 124,277</u>	<u>\$ 92,290</u>	<u>\$ 58,703</u>	<u>\$ 298,576</u>

See notes to the financial statements

**Village of Edwardsburg**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES - governmental funds (Continued)**  
*Year ended March 31, 2005*

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Reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities:

Net change in fund balances - total governmental funds (page 8) \$ (19,704)

Amounts reported for governmental activities in the statement of activities are different because:

Capital assets:

Capital outlay	20,806
Provision for depreciation	(12,246)

Changes in other assets/liabilities:

Net decrease in liability for compensated absences	11,742
Net decrease in deferred revenue	(10,199)

The net revenue of the internal service fund	<u>3,291</u>
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Change in net assets of <i>governmental activities</i> (page 6)	<u>\$ (6,310)</u>
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**Village of Edwardsburg**  
**STATEMENT OF NET ASSETS - proprietary funds**  
*March 30, 2005*

	<u><i>Business-type activities</i></u>	<u><i>Governmental activities</i></u>
	<u><i>Water</i></u>	<u><i>Internal service</i></u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 169,215	\$ 42,597
Receivables, net	13,210	-
Inventory	22,434	-
	<u>204,859</u>	<u>42,597</u>
Total current assets		
	204,859	42,597
Noncurrent assets:		
Capital assets, net of accumulated depreciation	<u>670,266</u>	<u>80,932</u>
	<u>875,125</u>	<u>123,529</u>
Total assets		
	875,125	123,529
<b>LIABILITIES</b>		
Current liabilities:		
Payables	<u>3,923</u>	<u>814</u>
<b>NET ASSETS</b>		
Invested in capital assets	692,700	80,932
Unrestricted	<u>178,502</u>	<u>41,783</u>
	<u>\$ 871,202</u>	<u>\$ 122,715</u>
Total net assets		
	\$ 871,202	\$ 122,715

*See notes to the financial statements*

**Village of Edwardsburg**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET ASSETS - *proprietary funds***  
*Year ended March 31, 2005*

	<u><i>Business-type activities</i></u>	<u><i>Governmental activities</i></u>
	<u><i>Water</i></u>	<u><i>Internal service</i></u>
<b>OPERATING REVENUES</b>		
Charges for services	<u>\$ 174,083</u>	<u>\$ 43,901</u>
<b>OPERATING EXPENSES</b>		
Utility operations	140,031	-
Motor vehicle pool operations	-	27,785
Depreciation	<u>35,799</u>	<u>12,977</u>
Total operating expenses	<u>175,830</u>	<u>40,762</u>
Operating income (loss)	(1,747)	3,139
<b>NONOPERATING REVENUES</b>		
Interest revenue	<u>1,983</u>	<u>152</u>
<b>CHANGE IN NET ASSETS</b>	236	3,291
<b>NET ASSETS - BEGINNING</b>	<u>870,966</u>	<u>119,424</u>
<b>NET ASSETS - ENDING</b>	<u><u>\$ 871,202</u></u>	<u><u>\$ 122,715</u></u>

*See notes to the financial statements*

**Village of Edwardsburg**  
**STATEMENT OF CASH FLOWS - proprietary funds**  
Year ended March 31, 2005

	<u><b>Business-type activities</b></u>	<u><b>Governmental activities</b></u>
	<u><b>Water</b></u>	<u><b>Internal service</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 175,970	\$ 46,331
Payments to vendors and suppliers	(43,776)	(21,750)
Payments to employees	(96,211)	(5,430)
Internal activity - payments to other funds	<u>(9,322)</u>	<u>-</u>
Net cash provided by operating activities	26,661	19,151
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	(30,846)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	<u>1,983</u>	<u>152</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(2,202)	19,303
<b>CASH - BEGINNING</b>	<u>171,417</u>	<u>23,294</u>
<b>CASH - ENDING</b>	<u>\$ 169,215</u>	<u>\$ 42,597</u>

See notes to the financial statements

**Village of Edwardsburg**  
**STATEMENT OF CASH FLOWS - proprietary funds (Continued)**  
Year ended March 31, 2005

	<u><b>Business-type activities</b></u>	<u><b>Governmental activities</b></u>
	<u><b>Water</b></u>	<u><b>Internal service</b></u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>		
Operating income (loss)	\$ (1,747)	\$ 3,139
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	35,799	12,977
Decrease in:		
Due to other funds	<u>(9,322)</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 24,730</u>	<u>\$ 16,116</u>

See notes to the financial statements



**Village of Edwardsburg**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Village of Edwardsburg, Michigan (the Village), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

*a) Reporting entity:*

The accompanying financial statements present the government, entities for which the government is considered to be financially accountable.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

**Village of Edwardsburg**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the Village, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Major Street Fund accounts for the use of allocated state gas and weight taxes used for the maintenance and construction of major streets within the Village.

The Local Street Fund accounts for the use of allocated state gas and weight taxes used for the maintenance and construction of local streets within the Village.

The Cemetery Fund accounts for the maintenance of the Village's cemeteries. Revenues are derived from charges for services and operating transfers from the General Fund.

The Village reports the following major proprietary funds:

The Water Fund accounts for the activities of the Village's water distribution system.

The Motor Vehicle Pool Fund, an internal service fund, accounts for vehicle and equipment management services provided to other departments of the Village on a cost-reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Village of Edwardsburg**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**d) Assets, liabilities, and net assets or equity:**

i) *Bank deposits* - Cash consists of cash on hand, demand deposits, and highly liquid short-term investments with original maturities of three months or less from the date of acquisition.

ii) *Receivables* - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Village considers all receivables to be fully collectible.

iii) *Deferred charges* - Certain payments in connection with obtaining long-term financing have been deferred and are being amortized over the life of the related debt using the interest method.

iv) *Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sewer and water systems, roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village as assets, other than infrastructure, with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets of government activities either retroactively to June 15, 1980, or prospectively. The Village has elected to account for its infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 40 years
Equipment	3 - 20 years
Vehicles	4 - 20 years
Infrastructure	50 years

v) *Compensated absences* - It is the Village's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability for unpaid accumulated vacation and sick leave has been recorded for the portion due to employees upon separation from service with the Village. Vested compensated absences are accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

vi) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Village of Edwardsburg**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Village's general and special revenue funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year.

During the year ended March 31, 2005, the Village did not incur expenditures which were significantly in excess of the amounts appropriated. All excess amounts were funded through available carryover funds.

State law does not permit a local unit to project a budgeted deficit. The Village projected a deficit fund balance for the General Fund of \$(76,285), however the actual end of year fund balance was \$23,306.

**NOTE 3 - CASH AND INVESTMENTS:**

Cash as presented in the accompanying financial statements, consisted of the following:

	<i><u>Govern- mental activities</u></i>	<i><u>Business- type activities</u></i>	<i><u>Total</u></i>
Deposits	\$ 314,951	\$ 169,215	\$ 484,166
Cash on hand	<u>200</u>	<u>-</u>	<u>200</u>
Total cash	<u>\$ 315,151</u>	<u>\$ 169,215</u>	<u>\$ 484,366</u>

Deposits are carried at cost and are maintained at various financial institutions in the name of the Village. State statutes and the Village's investment policy authorize the Village to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Village's deposits are in accordance with statutory authority. At March 31, 2005, the Village has deposits with a carrying amount of \$484,166 and a bank balance of \$498,265. Of the bank balance, \$249,643 is covered by federal depository insurance and \$248,622 is uninsured.

**Village of Edwardsburg**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 4 - RECEIVABLES:**

At March 31, 2005, the Village's receivables were as follows:

<i>Fund</i>	<i>Property taxes</i>	<i>Accounts</i>	<i>Inter- governmental</i>	<i>Totals</i>
Governmental activities:				
General Fund	\$ 10,829	\$ 20,991	\$ -	\$ 31,820
Major Street Fund	-	-	10,227	10,227
Local Street Fund	-	-	3,576	3,576
Total governmental activities	<u>\$ 10,829</u>	<u>\$ 20,991</u>	<u>\$ 13,803</u>	<u>\$ 45,623</u>
Business-type activities:				
Water Fund	<u>\$ -</u>	<u>\$ 13,210</u>	<u>\$ -</u>	<u>\$ 13,210</u>

All receivables are due within one year and are considered fully collectible.

**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity for the year ended March 31, 2005, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	<u>\$ 27,291</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,291</u>
Capital assets being depreciated:				
Land improvements	47,558	18,092	-	65,650
Buildings	198,986	-	-	198,986
Furniture, fixtures, and equipment	40,122	2,714	-	42,836
Vehicles	<u>202,657</u>	<u>-</u>	<u>-</u>	<u>202,657</u>
Total capital assets being depreciated	<u>489,323</u>	<u>20,806</u>	<u>-</u>	<u>510,129</u>
Less accumulated depreciation for:				
Land improvements	31,477	3,283	-	34,760
Buildings	62,918	4,288	-	67,206
Furniture, fixtures, and equipment	18,848	6,009	-	24,857
Vehicles	<u>125,081</u>	<u>11,644</u>	<u>-</u>	<u>136,725</u>
Total accumulated depreciation	<u>238,324</u>	<u>25,224</u>	<u>-</u>	<u>263,548</u>
Net capital assets being depreciated	<u>250,999</u>	<u>(4,418)</u>	<u>-</u>	<u>246,581</u>
Total governmental activities capital assets, net	<u>\$ 278,290</u>	<u>\$ (4,418)</u>	<u>\$ -</u>	<u>\$ 273,872</u>

**Village of Edwardsburg**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 5 - CAPITAL ASSETS (Continued):

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Water Fund:				
Capital assets not being depreciated:				
Land	\$ 32,719	\$ -	\$ -	\$ 32,719
Capital assets being depreciated:				
Building	64,866	-	-	64,866
Water system	1,550,348	15,346	-	1,565,694
Equipment	49,896	2,750	-	52,646
Total capital assets being depreciated	1,665,110	18,096	-	1,683,206
Less accumulated depreciation for:				
Building	43,215	1,622	-	44,837
Water system	932,875	32,325	-	965,200
Equipment	33,770	1,852	-	35,622
Total accumulated depreciation	1,009,860	35,799	-	1,045,659
Net capital assets being depreciated	655,250	(17,703)	-	637,547
Total water fund capital assets, net	\$ 687,969	\$ (17,703)	\$ -	\$ 670,266

Depreciation expense was charged to governmental activities as follows:

General government	\$ 12,246
Depreciation on capital assets held by internal service fund	12,977
Total governmental activities	\$ 25,223

**Village of Edwardsburg**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:**

At March 31, 2005, the composition of interfund balances was as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
Local Street	\$ <u>5,420</u>	General	\$ <u>5,420</u>

The amount owed to the Local Street Fund represents reimbursements due for costs paid on behalf of the General Fund.

A summary of interfund transfers for the year ended March 31, 2005, is as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
Cemetery	\$ <u>7,600</u>	General Fund	\$ <u>7,600</u>

The transfer in of the Cemetery Fund represents support for operations of the fund.

**NOTE 7 - PAYABLES:**

At March 31, 2005, the Village's payables were as follows:

	<u>Accounts</u>	<u>Payroll</u>	<u>Totals</u>
Governmental activities:			
General Fund	\$ 10,103	\$ 1,515	\$ 11,618
Major Street Fund	602	600	1,202
Local Street Fund	<u>23</u>	<u>516</u>	<u>539</u>
Total governmental activities	<u>\$ 10,728</u>	<u>\$ 2,631</u>	<u>\$ 13,359</u>
Proprietary activities:			
Internal service fund	\$ 645	\$ 169	\$ 814
Water Fund	<u>1,429</u>	<u>2,494</u>	<u>3,923</u>
Total proprietary activities	<u>\$ 2,074</u>	<u>\$ 2,663</u>	<u>\$ 4,737</u>

**Village of Edwardsburg**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 8 - LONG-TERM LIABILITIES:**

At March 31, 2005, long-term liabilities consisted of the following:

	<i>Beginning balance</i>	<i>Earned</i>	<i>Used</i>	<i>Ending balance</i>
Governmental activities:				
Accrued compensated absences	\$ 33,613	\$ 10,426	\$ (22,168)	\$ 21,871

No amounts are due within one year.

**NOTE 9 - DEFINED CONTRIBUTION PENSION PLAN:**

The Village provides pension benefits through a defined contribution pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Michigan state statute assigns the authority to establish and amend benefit provisions to the Village Council. All full-time employees are eligible to participate. Employees may contribute additional amounts on a voluntary basis. For the year ended March 31, 2005, the Village made its required contributions of \$2,009.

**NOTE 10 - CLAIMS ARISING FROM RISKS OF LOSS:**

The Village is exposed to various risks of loss to general liability, property and casualty, and workers' compensation. The risks of loss arising from general liability, building contents, workers' compensation, and casualty are managed through purchased commercial insurance.

**NOTE 11- PRIOR PERIOD ADJUSTMENT:**

The Village has recorded a prior period adjustment to reflect a change in accounting principles for capital assets in the proprietary fund types. The net effects are as follows:

	<i>Water Fund</i>	<i>Motor Vehicle Pool Fund</i>
Beginning net assets		
As previously recorded	\$ 787,131	\$ 52,890
Prior period adjustment	<u>83,835</u>	<u>66,534</u>
As restated	<u>\$ 870,966</u>	<u>\$ 119,424</u>



**Village of Edwardsburg**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 12 - CHANGE IN ACCOUNTING PRINCIPLES:**

Effective April 1, 2004, the Village implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, along with all related statements and interpretations. In connection with the implementation of this statement, the following adjustments to beginning net assets have been made to reflect the cumulative effect of this accounting change:

Net assets, as previously reported	
General, special revenue, and debt service funds	\$ 318,280
Capitalization of capital assets, net of accumulated depreciation, not previously reported	184,380
Net assets of the internal service funds (as restated) are included in governmental activities in the statement of net assets	119,424
Accrual of compensated absences	(33,613)
Certain assets are not considered available financial resources in the current period and, therefore, are reported as deferred revenue in the funds.	<u>20,147</u>
Net assets, as restated	<u>\$ 608,618</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Village of Edwardsburg**  
**BUDGETARY COMPARISON SCHEDULE - General Fund**  
Year ended March 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 72,286	\$ 72,286	\$ 84,661	\$ 12,375
State grants	128,351	128,351	124,391	(3,960)
Licenses and permits	10,650	10,650	23,714	13,064
Charges for services	47,298	45,298	43,079	(2,219)
Interest and rentals	6,050	4,550	5,773	1,223
Other	2,321	2,321	-	(2,321)
Total revenues	<u>266,956</u>	<u>263,456</u>	<u>281,618</u>	<u>18,162</u>
<b>EXPENDITURES</b>				
Legislative	4,239	4,239	4,720	(481)
General government	182,017	176,379	129,654	46,725
Public safety	80,330	80,330	82,263	(1,933)
Public works	75,689	75,689	54,816	20,873
Community and economic development	4,534	4,534	2,619	1,915
Recreation and culture	9,279	8,279	6,409	1,870
Capital outlay	14,000	6,638	1,896	4,742
Total expenditures	<u>370,088</u>	<u>356,088</u>	<u>282,377</u>	<u>73,711</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>(103,132)</u>	<u>(92,632)</u>	<u>(759)</u>	<u>91,873</u>
<b>OTHER FINANCING USES</b>				
Transfer to Local Street Fund	(4,580)	(4,580)	-	4,580
Transfer to Cemetery Fund	(7,600)	(7,600)	(7,600)	-
Total other financing uses	<u>(12,180)</u>	<u>(12,180)</u>	<u>(7,600)</u>	<u>4,580</u>
<b>NET CHANGE IN FUND BALANCES</b>	(115,312)	(104,812)	(8,359)	96,453
<b>FUND BALANCES - BEGINNING</b>	<u>31,665</u>	<u>31,665</u>	<u>31,665</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ (83,647)</u>	<u>\$ (73,147)</u>	<u>\$ 23,306</u>	<u>\$ 96,453</u>

**Village of Edwardsburg**  
**BUDGETARY COMPARISON SCHEDULE - Major Street Fund**  
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
State grants	\$ 59,546	\$ 59,546	\$ 56,569	\$ (2,977)
Interest	<u>300</u>	<u>300</u>	<u>1,556</u>	<u>1,256</u>
Total revenues	<u>59,846</u>	<u>59,846</u>	<u>58,125</u>	<u>(1,721)</u>
<b>EXPENDITURES</b>				
Public works	<u>59,846</u>	<u>59,846</u>	<u>39,702</u>	<u>20,144</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	18,423	18,423
<b>FUND BALANCES - BEGINNING</b>	<u>105,854</u>	<u>105,854</u>	<u>105,854</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 105,854</u>	<u>\$ 105,854</u>	<u>\$ 124,277</u>	<u>\$ 18,423</u>

**Village of Edwardsburg**  
**BUDGETARY COMPARISON SCHEDULE - Local Street Fund**  
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
State grants	\$ 20,744	\$ 20,744	\$ 19,770	\$ (974)
Interest	<u>300</u>	<u>300</u>	<u>537</u>	<u>237</u>
Total revenues	21,044	21,044	20,307	(737)
<b>EXPENDITURES</b>				
Public works	<u>52,872</u>	<u>52,872</u>	<u>30,327</u>	<u>22,545</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	(31,828)	(31,828)	(10,020)	21,808
<b>OTHER FINANCING SOURCES</b>				
Transfer from General Fund	<u>4,580</u>	<u>4,580</u>	<u>-</u>	<u>(4,580)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(27,248)	(27,248)	(10,020)	17,228
<b>FUND BALANCES - BEGINNING</b>	<u>102,310</u>	<u>102,310</u>	<u>102,310</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 75,062</u>	<u>\$ 75,062</u>	<u>\$ 92,290</u>	<u>\$ 17,228</u>

**Village of Edwardsburg**  
**BUDGETARY COMPARISON SCHEDULE - Cemetery Fund**  
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Charges for services	\$ 9,500	\$ 9,500	\$ 7,394	\$ (2,106)
Interest	<u>1,800</u>	<u>1,800</u>	<u>476</u>	<u>(1,324)</u>
Total revenues	<u>11,300</u>	<u>11,300</u>	<u>7,870</u>	<u>(3,430)</u>
<b>EXPENDITURES</b>				
General government	41,200	41,200	35,218	5,982
Capital outlay	<u>1,200</u>	<u>1,200</u>	<u>-</u>	<u>1,200</u>
Total expenditures	<u>42,400</u>	<u>42,400</u>	<u>35,218</u>	<u>7,182</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	(31,100)	(31,100)	(27,348)	3,752
<b>OTHER FINANCING SOURCES</b>				
Transfer from General Fund	<u>7,600</u>	<u>7,600</u>	<u>7,600</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	(23,500)	(23,500)	(19,748)	3,752
<b>FUND BALANCES - BEGINNING</b>	<u>78,451</u>	<u>78,451</u>	<u>78,451</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 54,951</u>	<u>\$ 54,951</u>	<u>\$ 58,703</u>	<u>\$ 3,752</u>